Development and Globalization

Economists divide the world's countries into different categories according to their level of development.

Development is the process by which a nation improves the economic, political, and social well-being of its people

It is important to remember that development refers to a nation's material well-being. It is not a judgment of the worth of a nation or its people. The level of development does not indicate cultural superiority or inferiority. It simply indicates how well a nation is able to feed, clothe, and shelter its people.

However, you may well find a pattern between these different categories of countries based on past history and major events such as the Industrial Revolution of the 1800s and the Age of Imperialism in the early 1900s. Those dominant countries that ruled supreme in those times are often the most developed nations of today, and those countries that were ruled under imperialism are often the less developed nations of today.

Developed Countries
Countries that have a relatively high average level of material well-being

Examples are: The United States, the nations of Western Europe such as England, France, Germany, Italy, the Netherlands, Belgium, Canada, Japan, Australia, and New Zealand

Most countries in the world today have relatively low levels of material well-being.

Less Developed Countries (LDC's)
Countries that have a relatively low level of material well-being

Examples are: Bangladesh, Nepal, Albania, nations of Southern Africa and Central America

There is a third group of countries who have changed their nations to manufacturing and industry on a large scale and have pulled ahead of the LDC countries, but have yet to achieve the higher standard of living seen in developed nations.

Newly Industrialized Countries (NIC's)
A less developed country that has made great progress toward developing its economy

Examples: Mexico, Brazil, Saudi Arabia and former republics of the Soviet Union

Economists use many different factors to measure a nation's level of development. These measurements are constantly changing as over time, new inventions and methods of production have changed any standard levels that were once used. Today, economists use categories such as production of goods and services, energy consumption, distribution of workforce, availability of consumer goods, and social indicators to measure development.

Below are the main ways that economists measure a countries development today.

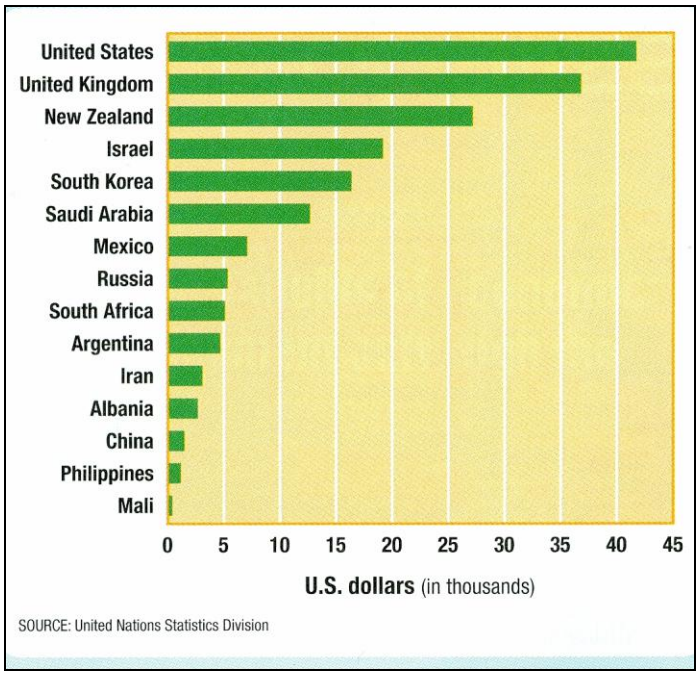
A). Per Capita GDP

Per Capita GDP is a nation's Gross Domestic Product divided by its Population

The Gross Domestic Product (GDP) is the total value of all final goods and services produced within an economy in one year.

The GDP alone, however, is not adequate to compare the living standards of nations. Instead, economists use per capita GDP; a nation's Gross Domestic Product divided by its total population.

The per capita GDP can vary widely from nation to nation, as indicated by the table below



Per capita GDP is considered to be a more accurate measure of development than by just using a country's GDP alone. A better understanding of this is by looking at the nations of Japan and India

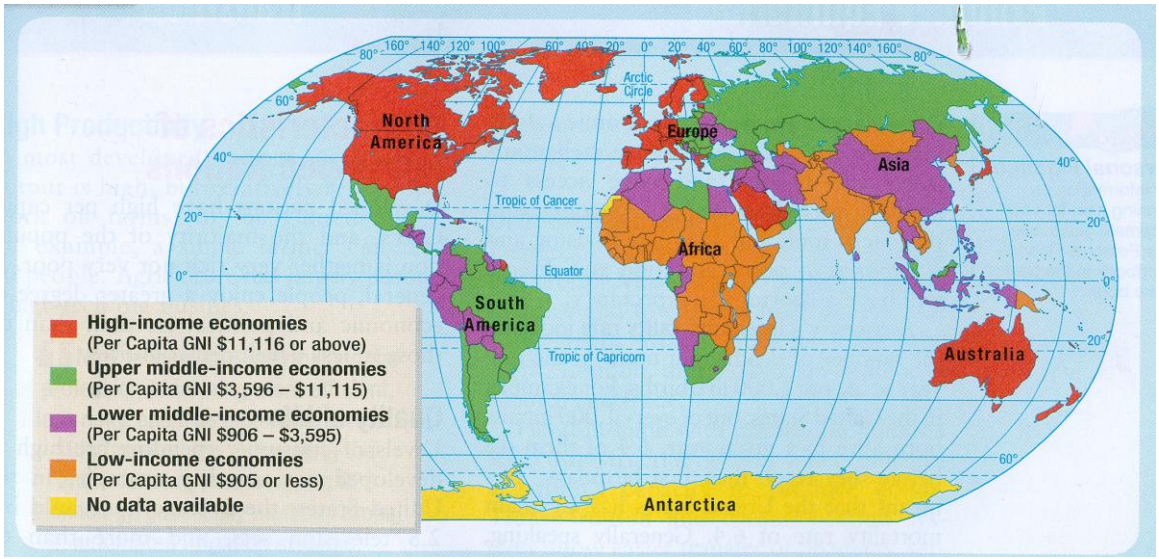
	Japan	**India**
GDP	$4.22 trillion	$2.98 trillion
Population	127.7 million	1.1 billion
Per capita GDP	$33,100	$ 2,659

The above figures clearly show that the average person in Japan is better off, in material terms, than the average person in India.

One problem with per capita GDP is that it does not take into account distribution of income. Within every nation, some people are wealthier than others, and others are poorer than most others. This is especially true in LDC's where the gap between the rich and the poor is very wide and in most cases there is no middle class.

B). Per capita gross national income (GNI)

This measuring system is very similar to the per capita GDP model but is more refined. It is the common measuring system used by **The World Bank**. By using the gross national income, it focuses on only those people in a country who work for a living. It is also more effective than the per capita GDP model as it enables The World Bank to identify and classify nations that are high income, middle income, and low income.



C. Energy Consumption

A more modern way to measure a country's development is through its energy consumption. The amount of energy a nation consumes is closely linked to its level of industrialization. This has been true ever since the development of the steam engine and the beginnings of the industrial revolution. The energy consumption method relies on **industrialization – the organization of a country's economy for the purpose of manufacture.**

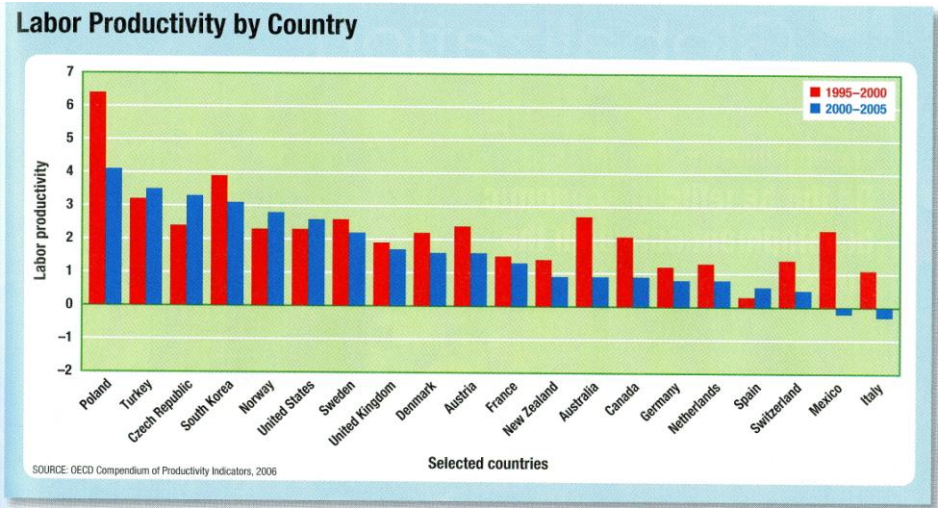
Because industrial processes require large amounts of energy, high levels of energy use tend to indicate high levels of industrial activity.

Conversely, a low level of energy use tends to indicate that a nation has a low level of industrial activity. This is especially true for LDC's as most of their populations are farmers who still work with simple tools and only own a few, low-efficient, agricultural machines.

D). Labor Force

This indicator is often used to identify low development countries. It is easy to use when a large share of the population works in the agricultural industry. In LDC's, most people are self-sufficient, raising enough food just for themselves and their immediate families. Very little is grown as a surplus. As a result, very few people are available to work in industry.

When an LDC is agriculturally based, and has little or no industry, it cannot produce specialized goods to sell. Therefore, it is often unable to generate any cash income. It must rely on agriculture and the number of people in its total labor force is then in a direct relationship with the country's income levels. This enables an economist to identify a nation's wealth and calculate its standard of living.



E). Consumer Goods

The quantity of consumer goods a nation produces also indicates its level of development. The availability of a large number of consumer goods indicates that the people have enough money to meet their basic needs and still have enough left over to buy nonessential goods. Economists calculate how many people in a country own products such as computers, cars, washing machines and telephones and based on these results, can measure the country's level of development.

F). Social Indicators

Economists use three (3) different social indicators to measure a country's level of development.

Literacy Rate

This is the proportion of the population over the age of 15 that can read and write.

In general, a high percentage of people attending school suggests a high level of development. An educated population has the potential to be more productive and to use or produce more advanced technology.

Life Expectancy

This is the average expected life span of an individual living in a particular country.

People who are well nourished and housed and have access to medical care live longer. A population that lacks food and adequate housing and is exposed to poor sanitation and disease will have a shorter life expectancy.

Infant Mortality Rate

This is the number of deaths that occur in the first year of life per 1,000 live births.

Example: In the United States, out of every 1,000 babies born alive in a given year, 6.4 of them die before they reach their first birthday. The United States has an infant mortality rate of 6.4

Generally speaking, the lower a nation's infant mortality rate, the higher its level of development.

The following page has two tables of results of various nations.

Economic Health of Selected Countries

Country	Infant Mortality (per 1,000 live births)	Life Expectancy	Median Age	Literacy (by percent)	Unemployment (by percent)	Internet Users	Cellular Telephone Users
United States	6.37	78	36.6	99	4.6	208 million	233 million
Germany	4.08	78.95	43	99	9.1	38.6 million	84.3 million
United Kingdom	5.01	78.7	39.6	99	5.4	33.534 million	69.657 million
China	22.12	72.88	33.2	90.9	4	162 million	461.1 million
South Korea	6.05	77.23	35.8	97.9	3.2	34.12 million	40.197 million
India	34.61	68.59	24.8	73.4	7.2	60 million	166.1 million
Russia	11.06	65.87	38.2	99.4	5.9	25.689 million	150 million
Argentina	14.29	76.32	29.9	97.2	8.9	8.184 million	31.51 million
Saudi Arabia	12.41	75.88	21.4	78.8	13	4.7 million	19.663 million
Iran	38.12	70.56	25.8	77	11	18 million	13.659 million
Israel	6.75	79.59	29.9	97.1	7.6	1.899 million	8.404 million
Nigeria	95.52	47.44	18.7	68	5.8	8 million	32.322 million
Sudan	91.78	49.11	18.7	61.1	18.7	3.5 million	4.683 million
Honduras	25.21	69.35	19.7	80	27.8	337,300	2.241 million

SOURCE: *CIA World Factbook*, 2008

GDP Growth of Selected Countries

Country	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*
United States	8,250	8,695	9,216	9,765	10,076	10,418	10,919	11,679	12,417	13,202	13,860
Germany	2,160	2,184	2,144	1,900	1,891	2,019	2,442	2,751	2,795	2,907	2,833
United Kingdom	1,327	1,425	1,465	1,443	1,435	1,571	1,806	2,132	2,199	2,345	2,147
China	953	1,019	1,083	1,198	1,325	1,454	1,641	1,932	2,234	2,668	7,043
South Korea	516	345	445	512	482	547	608	680	788	888	1,206
India	410	414	450	460	478	508	602	696	806	906	2,965
Russia	405	271	196	260	307	345	431	589	764	987	2,076
Argentina	293	299	284	284	269	102	130	153	183	214	524
Saudi Arabia	165	146	161	188	183	189	215	250	310	310	572
Iran	105	103	105	101	115	116	136	163	190	223	853
Israel	104	104	104	115	114	104	110	117	123	123	185
Nigeria	36	32	35	46	48	47	58	72	99	115	295
Sudan	12	11	11	12	13	15	18	21	28	38	108
Honduras	5	5	5	6	6	7	7	7	8	9	25

Note: Amounts in billions of dollars.
*Estimates for 2007
SOURCE: *CIA World Factbook*, World Bank